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C O N F I D E N T I A L SECTION 01 OF 02 WELLINGTON 000418

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SUBJECT: WTO: NEW ZEALAND GOVERNMENT PLAYS DOWN CRISIS OVER  
WTO AMBASSADOR RESIGNATION

REF: WELLINGTON 409

Classified By: DEPUTY CHIEF OF MISSION DAVID R. BURNETT,  
FOR REASONS 1.4 (B) AND (D).

1. (C) SUMMARY: Although New Zealand's WTO Ambassador Tim Groser has resigned to run as an opposition party candidate in general elections later this year, the Government will finance his stay in Geneva as WTO Agriculture Committee Chair until the summer break. This will allow Groser to participate in the July modalities meeting. Despite early press reports that the Prime Minister wanted Groser to leave Geneva immediately, Government officials insist their intention was always to manage as long a transition as possible for Groser in a way that would be best for the WTO. But it appears the Prime Minister and others were largely motivated by National Party claims that the Government was putting Labour Party interests ahead of New Zealand's economic well being. The country stands to gain mightily from a successful WTO agriculture agreement, and Groser's constructive role as Agriculture Chair has been a point of pride for New Zealand. END SUMMARY.

2. (C/NOFORN) The announcement earlier this week that New Zealand's WTO Ambassador, Tim Groser, would resign to run as an opposition party candidate in general elections (reftel) threw the Government into a frenzy, at least behind closed doors. A number of contacts have confirmed to us that neither Trade Minister Sutton nor Foreign Minister Goff had any idea either that Groser would resign or that he would become a National Party candidate. Sutton in particular reportedly feels betrayed by the move. (In a May 22 press release, Sutton called National's move to "lure" Groser a "kick in the teeth for all New Zealanders.")

3. (C/NOFORN) Ministry of Foreign Affairs and Trade (MFAT) senior officials, led by Chief Executive Simon Murdoch, have held daily confidential meetings about the crisis with the Prime Minister's advisors. Our contacts tell us that Murdoch has had to walk a fine line between handling bruised egos or high level officials and maintaining a supportive role for New Zealand at the WTO. Meanwhile, the Beehive is engaged in major damage control: the Prime Minister is now insisting that she never said New Zealand would oppose Groser's continued role as WTO Agriculture Chairman. Groser has offered to stay on as Chair at his own expense until the December Hong Kong Ministerial, but press reports had indicated that PM Clark and Minister Sutton were adamant that he should leave immediately.

4. (C/NOFORN) On May 24, it was reported that MFAT had written to the WTO General Council with an offer to financially support Groser as Agriculture Chair through the July modalities meeting. The press cited this as a backing down, but Clark insists that her position has always been that the Government would not support Groser's stay beyond a transition period. We believe, however, that Clark's and Sutton's initial position was modified -- certainly in tone and probably in substance -- by National Party claims that the Government was putting partisan concerns above New Zealand's national and economic interests. As evidenced by Sutton's press release, the Labour Government apparently thought that New Zealander's would put the blame on National for poaching a prized bureaucrat at a key time in WTO talks. But in a country where agricultural goods still comprise some 53% of exports by value, National's argument that it was Labour that was at fault seemed to resonate with the public. Accusations of self-serving indifference are the last thing the Government needs after weeks of dealing with assorted scandals (most recently accusations that Associate Education Minister David Benson-Pope physically bullied pupils as a teacher).

5. (C/NOFORN) At an unrelated meeting with Ambassador Swindells on May 27, MFAT Executive Director Murdoch took the initiative to explain the Government's current plans vis a vis Groser, who had resigned his position as Ambassador the previous day. As of now, Groser still resides in the

Ambassador's residence, and the New Zealand Government will support his stay in Geneva until the summer break if the WTO Council wants this. Murdoch said that since Groser's announcement the Government's goal has been to fashion as long a transition path as required, while at the same time taking care not to damage the WTO. He added that the Government would soon recommend an extremely experienced international trade diplomat who was now heavily involved in New Zealand's FTA negotiations with China as New Zealand's new WTO Ambassador. As a further signal of New Zealand's commitment to the Doha process, said Murdoch, the Government will send the new Ambassador to Geneva as soon as possible, to be available to chair WTO meetings as needed. Murdoch stressed that especially since the resignation of another senior trade negotiator who was to have worked on China (Charles Finny) the choice of the new Ambassador will have costs for the Government.

16. (C/NOFORN) When asked whether Groser would be allowed to stay on as Chair until December at his own expense if he insists on doing so, Murdoch said that the WTO works by consensus, but that the Government could not support his stay in Geneva beyond the summer break. Hinting that general elections will be called in late August or September, Murdoch said that New Zealand will be moving to an election campaign at around the time of the break, and Groser's status in domestic politics would then change. It would be up to the WTO to decide whether they wanted Groser to stay on beyond the summer; New Zealand will not state its view if this discussion takes place. There is no Government plan for dealing with the situation beyond the WTO summer break, said Murdoch. He added that the Prime Minister and the Government were fully supportive of the steps that he had taken to extend Groser's stay in Geneva, and that he hoped the United States and other WTO members would appreciate the effort.

16. (C/NOFORN) Comment: Murdoch would not indicate who New Zealand's next WTO Ambassador would be, but the most likely candidate is MFAT Deputy Secretary Derek Leask, an experienced trade negotiator who most recently was head of the Ministry's economic division. Another possibility is WTO negotiator Crawford Falconer. A dark horse candidate is Rachel Fry, who led New Zealand's Thailand FTA negotiations. Fry has not been active on China FTA talks, however.

Swindells